



# San Diego City Attorney **MICHAEL J. AGUIRRE**

## **NEWS RELEASE**

**FOR IMMEDIATE RELEASE: June 27, 2006**

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### **CITY ATTORNEY CRITICIZES KROLL REPORT DELAY; CALLS FOR JULY 11 PUBLIC HEARING OF FINDINGS**

**San Diego:** City Attorney Michael Aguirre criticized outside consultant, Kroll, Inc., for the latest round of delays in issuing a report regarding the city's financial disclosure practices and its underfunding of the employee pension plan. Aguirre also called for City Council President Scott Peters to schedule a public hearing and release of the Kroll report at the next City Council meeting, July 11. In February, 2005, the City of San Diego hired Kroll to evaluate the findings of two separate investigations that were conducted by the law firm of Vinson & Elkins and the San Diego City Attorney's Office. The Kroll report was contractually due to the Council last December.

Aguirre's concern came in reaction to media reports that Kroll had distributed the completed report to the U.S. Attorney's Office, the United States Securities and Exchange Commission (SEC) and possibly KPMG, the accounting firm responsible for completing the City's 2003 financial audit. However, the report, paid with taxpayer's dollars, has not been issued to the City Council.

"It would be inappropriate for Kroll, Inc. to distribute a study that the City commissioned to a third party," said Aguirre. "Kroll was paid \$20 million to report to the City Council, as Kroll's February 10, 2005 letter of engagement clearly states. To do otherwise is preposterous. Kroll needs to be held accountable."

Aguirre characterized the distribution of the Kroll report as circumventing the City of San Diego and another "inexplicable, unjustified delay," which has cost the City millions of dollars in cost overruns by Kroll. "No more excuses, no more delays," said Aguirre.

The City Attorney also called for the City Council President to ask that the City Council, City Attorney, and Mayor be given copies of the report in advance of the July 11 Council meeting, and that Arthur Levitt, CEO of Kroll, Inc., present his findings and be prepared to answer questions about the report.

"We have to realize that at some point the issue will arise as to whether legal actions are the best option to pursue with regard to Kroll's unfair, fraudulent business practices," said Aguirre. "So far, after \$20 million, the only thing they have generated is one excuse after another."

The City Attorney issued Interim Report #8 on April 13, 2006 outlining the history of Kroll's breach of legal duties to the City Council. The report can be found on the City Attorney's website: [sandiegocityattorney.org](http://sandiegocityattorney.org).

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